

Message Text

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ACTION ARA-10

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TAGS: EMIN ETRD

SUBJECT: DIPLOMATIC HANDLING OF VENEZUELAN ECONOMIC MEASURES:
CONVERSATION WITH GENERAL ALFONZO RAVARD

REF: CARACAS 3961, 3989, STATE 93175

AS INDICATED REFTELS, GENERAL ALFONZO RAVARD LUNCHEd WITH ME TODAY
AND THANKS TO MY FRENCH COOK AND HIS EXCELLENT TASTE IN WINE AND
CUISINE, WE HAD A MERRY IF SOLITARY PARTY. THE FOLLOWING POINTS
EMERGED:

1. IN CORROBORATION OF ALL OTHER ADVICE THAT WE HAVE RECEIVED,
GENERAL ALFONZO URGED THAT U.S. ABSTAIN FROM PUBLIC CRITICISM OF
PRESIDENT CARLOS ANDRES PEREZ UNTIL WE HAD HAD A CHANCE FIRST TO
ASSESS THE DEGREE OF POTENTIAL DAMAGE AND SECOND (AS I HAVE ADVOCATED)

TO ATTEMPT TO NEGOTIATE OUT ARRANGEMENTS WHICH WOULD SAVE THE
PRESIDENT'S FACE AND LEAVE OUR OWN ECONOMIC INTERESTS MORE OR
LESS AND PROFITABLY INTACT. GENERAL ALFONZO HOPED MEANS COULD BE
FOUND TO ENABLE THE PRESIDENT TO BACK OFF WITHOUT LOSS OF DIGNITY
FROM THE RATHER EXTREME POSITIONS TAKEN IN HIS SPEECH OF APRIL 29.

2. GENERAL ALFONZO AGREED WITH MY ANALYSIS OF THE IRON INDUSTRY
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SITUATION, AS REPORTED CARACAS 3989, AND THOUGHT THAT THERE WAS

AMPLE ROOM FOR SUCCESSFUL NEGOTIATION. WHEN I ASKED HIM DIRECTLY AS TO WHAT WOULD HAPPEN TO HIS OWN CONSORTIUM LOOKING TOWARD THE CONSTRUCTION OF A NEW \$40 MILLION IRON BRIQUETTING PLANT, ALFONZO SAID THE PROJECT SO FAR AS HE KNEW WAS GOING TO GO AHEAD. NONE OF THE AMERICAN PARTNERS, INCLUDING EXXON WHICH HAD A 20 PER CENT INTEREST, NOR CVG HAD EVINCED ANY DESIRE TO BACK OUT. HERE HE MADE THE OBVIOUS DISTINCTION BETWEEN THE PRESIDENT'S DEMAND FOR "NATIONALIZATION" OF VENEZUELA'S MINERAL RESOURCES AND HIS FAILURE TO MENTION PROCESSING PLANTS SUCH AS IRON BRIQUETTING ESTABLISHMENTS; ALTHOUGH HE DID CONFESS THAT SOME FORMULA HAD TO BE FOUND TO GET THE PRESIDENT OFF THE HOOK IN RESPECT OF HIS DIRECT REFERENCE TO THE VENEZUELAN ALUMINUM INDUSTRY, WHICH IS HALF OWNED BY CVG AND HALF BY REYNOLDS METALS AND WHOSE PRESIDENT IS NONE LESS THAN GENERAL ALFONZO RAVARD.

3. ON THE ALUMINUM ISSUE AND ITS JAPANESE CO-OWNED INTEREST WITH ALCASA, WHICH IS NOW MITSUBISHI AND SUMITOMO, ALFONZO RAVARD APPARENTLY WORKED OUT ONE OF THE MOST INGENIOUS FINANCIAL DEALS IN HISTORY, WHEREBY FOR ASSURANCE OF A CONTINUED SUPPLY OF 140,000 TONS OF INGOT ALUMINUM TO JAPAN A YEAR, THE JAPANESE WOULD HAVE TO PUT UP THE ENTIRE NEW MONEY NEEDED FOR THIS EXPANSION IN CAPITAL. I ASKED ALFONZO IF THIS CONTRACT HAD BEEN APPROVED BY THE VENEZUELAN CONGRESS, AND HE SAID IT HAD BEEN APPROVED IN APRIL 1973. THIS THEREFORE PERHAPS PLACES PRESIDENT PEREZ IN A DIFFICULT SITUATION SINCE HIS OWN PARTY AT THAT DATE HAD MORE VOTES THAN DID COPEI. HOWEVER (CARACAS 3990), GENERAL ALFONZO SHOWED NO DISPOSITION TO REVISE THE CONTRACT, AS STATED BY THE PRESIDENT ON APRIL 29, ALTHOUGH ACCORDING TO JAPANESE ECONOMIC COUNSELOR TO US YESTERDAY, FINAL SIGNATURE ON THIS AGREEMENT HAS NOT BEEN GIVEN. APPARENTLY THE ATTRACTION TO THE JAPANESE WAS THAT IF THEY PUT UP THE EXTRA NEEDED EQUITY CAPITAL, PART OF THIS SUM WOULD BE REGARDED AS PREFERRED STOCK AND DIVIDENDS ON THIS STOCK WOULD IN EFFECT GIVE THE JAPANESE A REBATE ON THE WORLD MARKET PRICE OF ALUMINUM INGOTS. IT SEEMS THAT IN THIS DEAL, WHICH ALFONZO PUT TOGETHER PERSONALLY, REYNOLDS METALS HAS HAD A FREE RIDE. THIS WAS A PROFITABLE RIDE, AS ALFONZO TOLD ME THIS YEAR ALCASA WOULD MAKE A 40 PER CENT PROFIT ON A CAPITAL INVESTMENT OF BS 100 MILLION.

4. MY LUNCHEON GUEST CONFIDED THAT HE HAD TURNED DOWN AN INVITATION
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FROM THE NEW "EMINENCE GRISE" OF THE PEREZ CABINET, DR. PEREZ GUERRERO, TO LUNCH TODAY BECAUSE HE WAS LUNCHING WITH ME. HOWEVER, HE WILL LUNCH WITH "MANOLO" TOMORROW, AND I ASKED IF HE WOULD CONVEY TO DR. PEREZ GUERRERO NOT ONLY BY BEST REGARDS BUT MY CONSISTENT PHILOSOPHY THAT THE BEST RELATIONSHIPS BETWEEN VENEZUELA AND THE UNITED STATES COULD ONLY BE BASED ON THE PRINCIPLE OF MUTUAL ADVANTAGE. THIS ALFONZO SAID HE WOULD GLADLY DO; AND HE AGREED FURTHER TO PASS ON THE WORD TO PEREZ

GUERRERO THAT I SHOULD LIKE TO CALL UPON HIM AT AN EARLY OPPORTUNITY.
APPARENTLY PEREZ GUERRERO AND I ARE THE ONLY VINTAGE REMNANTS
HERE OF STUDENTS WHO ONCE WATCHED THE GYRATIONS OF THE OLD LEAGUE
OF NATIONS IN GENEVA.

5. RETURNING TO OUR OWN IMMEDIATE PROBLEMS AND INTERESTS, THE
GENERAL REPEATED VERY EARNESTLY THAT "WHAT CARLOS ANDRES NEEDS
IS TWO MONTHS OF PATIENCE AND UNDERSTANDING. DO NOT PUSH HIM OR
HE WILL GO TOO FAR." I SAID THAT HE WAS PARAPHRASING MY OWN
TELEGRAMS.
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